

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

NORTH DAVIESS COMMUNITY SCHOOLS

DAVIESS COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/24/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Glenda O'Connor	07-01-06 to 06-30-09
Superintendent of Schools	Robert W. Bell	07-01-06 to 06-30-09
President of the School Board	Darin Holder	07-01-06 to 06-30-09



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Daviess Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 28, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 28, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Daviess Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated May 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 28, 2009

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Instruction	\$ 4,861,328	\$ -	\$ 38,949	\$ (4,822,379)	
Support services	3,452,979	283,595	200,095	(2,969,289)	
Community services	134,792	-	-	(134,792)	
Nonprogrammed charges	688,595	-	-	(688,595)	
Debt service	1,376,191	-	-	(1,376,191)	
Total government	<u>\$ 10,513,885</u>	<u>\$ 283,595</u>	<u>\$ 239,044</u>	<u>(9,991,246)</u>	
General receipts:					
Property taxes				4,700,813	
Other local sources				721,173	
State aid				4,521,478	
Grants and contributions not restricted to specific programs				563,533	
Sale of property, adjustments, and refunds				9,229	
Investment earnings				164,799	
Total general receipts				<u>10,681,025</u>	
Change in net assets				689,779	
Net assets - beginning				<u>3,391,366</u>	
Net assets - ending				<u>\$ 4,081,145</u>	
<u>Assets</u>					
Cash and investments				\$ 4,011,192	
Restricted assets:					
Cash and investments				<u>69,953</u>	
Total assets				<u>\$ 4,081,145</u>	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ 69,953	
Unrestricted				<u>4,011,192</u>	
Total net assets				<u>\$ 4,081,145</u>	

The notes to the financial statements are an integral part of this statement.

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 4,748,904	\$ -	\$ 151,293		\$ (4,597,611)
Support services	4,589,683	292,097	227,683		(4,069,903)
Community services	147,943	-	-		(147,943)
Nonprogrammed charges	470,759	-	-		(470,759)
Debt service	<u>1,372,836</u>	<u>-</u>	<u>-</u>		<u>(1,372,836)</u>
Total government	<u>\$ 11,330,125</u>	<u>\$ 292,097</u>	<u>\$ 378,976</u>		<u>(10,659,052)</u>
General receipts:					
Property taxes					2,943,600
Other local sources					692,442
State aid					4,409,934
Grants and contributions not restricted to specific programs					668,312
Investment earnings					<u>166,250</u>
Total general receipts					<u>8,880,538</u>
Change in net assets					(1,778,514)
Net assets - beginning					<u>4,081,145</u>
Net assets - ending					<u>\$ 2,302,631</u>
<u>Assets</u>					
Cash and investments					\$ 2,703,851
Restricted assets:					
Cash and investments					<u>(401,220)</u>
Total assets					<u>\$ 2,302,631</u>
<u>Net Assets</u>					
Unrestricted					<u>\$ 2,302,631</u>

The notes to the financial statements are an integral part of this statement.

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Local Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,483,625	\$ 707,952	\$ -	\$ 1,239,006	\$ 937,327	\$ -	\$ 498,549	\$ 5,866,459
Intermediate sources	3,397	-	-	-	-	-	525	3,922
State sources	4,552,656	-	-	-	-	-	63,778	4,616,434
Federal sources	-	-	-	-	-	-	707,620	707,620
Sale of property, adjustments and refunds	-	-	-	-	9,114	-	115	9,229
Total receipts	7,039,678	707,952	-	1,239,006	946,441	-	1,270,587	11,203,664
Disbursements:								
Current:								
Instruction	4,281,865	-	-	-	-	-	579,463	4,861,328
Support services	1,350,606	539,979	-	-	991,499	-	570,895	3,452,979
Community services	133,597	-	-	-	-	-	1,195	134,792
Nonprogrammed charges	621,467	-	-	-	-	-	67,128	688,595
Debt services	-	-	-	1,193,000	-	-	183,191	1,376,191
Total disbursements	6,387,535	539,979	-	1,193,000	991,499	-	1,401,872	10,513,885
Excess (deficiency) of receipts over disbursements	652,143	167,973	-	46,006	(45,058)	-	(131,285)	689,779
Other financing sources (uses):								
Transfers in	-	-	240,000	-	-	-	-	240,000
Transfers out	-	(200,000)	-	(40,000)	-	-	-	(240,000)
Total other financing sources (uses)	-	(200,000)	240,000	(40,000)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	652,143	(32,027)	240,000	6,006	(45,058)	-	(131,285)	689,779
Cash and investments - beginning	1,729,794	201,066	800,000	54,770	314,281	2,414	289,041	3,391,366
Cash and investments - ending	\$ 2,381,937	\$ 169,039	\$ 1,040,000	\$ 60,776	\$ 269,223	\$ 2,414	\$ 157,756	\$ 4,081,145
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,381,937	\$ 169,039	\$ 1,040,000	\$ -	\$ 269,223	\$ 2,414	\$ 148,579	\$ 4,011,192
Restricted assets:								
Cash and investments	-	-	-	60,776	-	-	9,177	69,953
Total cash and investment assets - ending	\$ 2,381,937	\$ 169,039	\$ 1,040,000	\$ 60,776	\$ 269,223	\$ 2,414	\$ 157,756	\$ 4,081,145
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 60,776	\$ -	\$ -	\$ 9,177	\$ 69,953
Unrestricted	2,381,937	169,039	1,040,000	-	269,223	2,414	148,579	4,011,192
Total cash and investment fund balance - ending	\$ 2,381,937	\$ 169,039	\$ 1,040,000	\$ 60,776	\$ 269,223	\$ 2,414	\$ 157,756	\$ 4,081,145

The notes to the financial statements are an integral part of this statement.

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Local Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,727,208	\$ 472,724	\$ -	\$ 796,413	\$ 630,199	\$ 16,631	\$ 441,692	\$ 4,084,867
Intermediate sources	7,445	-	-	-	1,852	-	225	9,522
State sources	4,517,009	-	-	-	-	-	111,955	4,628,964
Federal sources	-	32	-	-	-	-	828,226	828,258
Total receipts	6,251,662	472,756	-	796,413	632,051	16,631	1,382,098	9,551,611
Disbursements:								
Current:								
Instruction	4,273,325	-	-	-	-	-	475,579	4,748,904
Support services	1,573,231	562,807	765,662	7,213	1,015,796	77,905	587,069	4,589,683
Community services	141,703	-	-	-	-	-	6,240	147,943
Nonprogrammed charges	445,199	-	-	-	-	-	25,560	470,759
Debt services	-	-	-	1,194,000	-	-	178,836	1,372,836
Total disbursements	6,433,458	562,807	765,662	1,201,213	1,015,796	77,905	1,273,284	11,330,125
Excess (deficiency) of receipts over disbursements	(181,796)	(90,051)	(765,662)	(404,800)	(383,745)	(61,274)	108,814	(1,778,514)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	75,920	75,920
Transfers out	(16,627)	-	-	-	-	-	(59,293)	(75,920)
Total other financing sources (uses)	(16,627)	-	-	-	-	-	16,627	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(198,423)	(90,051)	(765,662)	(404,800)	(383,745)	(61,274)	125,441	(1,778,514)
Cash and investments - beginning	2,381,937	169,039	1,040,000	60,776	269,223	2,414	157,756	4,081,145
Cash and investments - ending	<u>\$ 2,183,514</u>	<u>\$ 78,988</u>	<u>\$ 274,338</u>	<u>\$ (344,024)</u>	<u>\$ (114,522)</u>	<u>\$ (58,860)</u>	<u>\$ 283,197</u>	<u>\$ 2,302,631</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,183,514	\$ 78,988	\$ 274,338	\$ -	\$ (114,522)	\$ (58,860)	\$ 340,393	\$ 2,703,851
Restricted assets:								
Cash and investments	-	-	-	(344,024)	-	-	(57,196)	(401,220)
Total cash and investment assets - ending	<u>\$ 2,183,514</u>	<u>\$ 78,988</u>	<u>\$ 274,338</u>	<u>\$ (344,024)</u>	<u>\$ (114,522)</u>	<u>\$ (58,860)</u>	<u>\$ 283,197</u>	<u>\$ 2,302,631</u>
Cash and Investment Fund Balance - Ending								
Unrestricted	<u>\$ 2,183,514</u>	<u>\$ 78,988</u>	<u>\$ 274,338</u>	<u>\$ (344,024)</u>	<u>\$ (114,522)</u>	<u>\$ (58,860)</u>	<u>\$ 283,197</u>	<u>\$ 2,302,631</u>

The notes to the financial statements are an integral part of this statement.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: North Daviess Community Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with 38 other schools in a joint venture to operate Southern Indiana Education Center (SIEC) which was created to operate and maintain the educational service center in order to allow participating schools to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of SIEC. SIEC's continued existence depends on continued funding by the School Corporation. Complete financial statements for SIEC can be obtained from Southwest Dubois County School Corporation, 113 Jackson Street, Huntingburg, IN 47542.

The School Corporation is a participant with 11 other schools in a joint venture to operate the Twin Rivers Vocational Area, which was created to develop and operate vocational education for students of the participating schools. The school corporation is obligated by contract to remit annually a pro-rated amount based upon each participating school corporation's enrollment. The Twin Rivers Vocational Area uses its surplus resources to provide vocational education for participating schools. Twin Rivers Vocational Area's continued existence depends on continued funding by the School Corporation. Complete financial statements for Twin Rivers Vocational Area can be obtained from Twin Rivers Vocational Area, 20 North 3rd Street, Vincennes, IN 47591.

The School Corporation is a participate with three other schools in a joint venture to operate the Daviess-Martin Special Education Cooperative, which was created to develop and operate special education programs for students within the jurisdiction of the participating school corporations. The School Corporation is obligated by contract to remit annually a pro-rated amount based on each participating school corporation's enrollment to supplement the Cooperative. The Cooperative uses its surplus resources to undertake special projects for the School Corporation. The Cooperative's continued existence depends on the continued funding by the School Corporation. Complete financial statements for the Cooperative can be obtained from Daviess-Martin Special Education Cooperative, 9 W. Main Street, Washington, IN 47501.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation does not have any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The local rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following fund by the amount below:

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2006
Capital Projects	\$ 74,503

These disbursements were funded by available cash funds.

C. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Improving Teacher Quality	\$ (28,317)	\$ (33,400)
Debt Service	-	(344,024)
Retirement/Severance Bond	-	(57,196)
Capital Projects	-	(114,522)
School Bus Replacement	-	(58,860)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the nature of the grant fund and the late distribution of property taxes; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ -	\$ 16,627
Transportation Operating Fund	Local Rainy Day Fund	200,000	-
Debt Service Fund	Local Rainy Day Fund	40,000	-
Other governmental funds	Other governmental funds	-	59,293
Totals		<u>\$ 240,000</u>	<u>\$ 75,920</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended June 30, 2007 and 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported June 30 2006	Fund Reclassification	Balance as Restated July 1, 2006
Aggregate remaining fund information	\$ 1,738	\$ (1,738)	\$ -
Governmental activities	-	1,738	1,738

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with North Daviess Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2007 and 2008 totaled \$1,193,000 and \$1,194,000, respectively.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, eight retirees meet these eligibility requirements. The School Corporation pays a flat amount towards health insurance premiums. The amount varies depending on the master contract in effect when the employee retired. For the contribution into the retirement account, the School Corporation pays a flat amount per year as set in the master contract. During the year ended June 30, 2008, disbursements of \$36,446 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 39,009
Interest on net pension obligation	(627)
Adjustment to annual required contribution	714
Annual pension cost	39,096
Contributions made	34,330
Increase in net pension obligation	4,766
Net pension obligation, beginning of year	(8,646)
Net pension obligation, end of year	\$ (3,880)

	PERF
Contribution rates:	
School Corporation	8.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

NORTH DAVIESS COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 27,615	96%	\$ (7,728)
	06-30-06	33,125	103%	(8,646)
	06-30-07	39,096	88%	(3,880)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
 150 West Market Street
 Indianapolis, IN 46204
 Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$138,968, \$130,514, and \$131,829, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH DAVIESS COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 128,443	\$ 215,109	\$ (86,666)	60%	\$ 394,415	(22%)
07-01-06	147,440	290,289	(142,849)	51%	423,567	(34%)
07-01-07	191,760	298,179	(106,419)	64%	393,963	(27%)

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Early Intervention	Toyota TMMI Grant
Receipts:							
Local sources	\$ 6,854	\$ 253,247	\$ 50,394	\$ -	\$ -	\$ -	\$ 1,000
Intermediate sources	-	-	-	-	525	-	-
State sources	16,475	6,945	12,400	-	-	1,500	-
Federal sources	-	180,750	-	-	-	-	-
Sale of property, adjustments and refunds	-	115	-	-	-	-	-
Total receipts	23,329	441,057	62,794	-	525	1,500	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	1,000
Support services	-	445,184	46,119	-	-	1,500	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	24,750	-	-	42,378	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	24,750	445,184	46,119	42,378	-	1,500	1,000
Excess (deficiency) of receipts over disbursements	(1,421)	(4,127)	16,675	(42,378)	525	-	-
Cash and investments - beginning	65,893	6,167	7,333	42,378	4,350	-	-
Cash and investments - ending	<u>\$ 64,472</u>	<u>\$ 2,040</u>	<u>\$ 24,008</u>	<u>\$ -</u>	<u>\$ 4,875</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 64,472	\$ 2,040	\$ 24,008	\$ -	\$ 4,875	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 64,472</u>	<u>\$ 2,040</u>	<u>\$ 24,008</u>	<u>\$ -</u>	<u>\$ 4,875</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	64,472	2,040	24,008	-	4,875	-	-
Total cash and investment fund balance - ending	<u>\$ 64,472</u>	<u>\$ 2,040</u>	<u>\$ 24,008</u>	<u>\$ -</u>	<u>\$ 4,875</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Study Group Grant	Indiana Student Achievement	LCC High School Drug Free	LCC Pie Grant	2006-07 Gifted Talented	2006-07 Non English Speaking
Receipts:						
Local sources	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	12,151	1,544
Federal sources	-	-	-	700	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	-	1,500	700	12,151	1,544
Disbursements:						
Current:						
Instruction	26	1,145	368	89	11,838	1,257
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	26	1,145	368	89	11,838	1,257
Excess (deficiency) of receipts over disbursements	(26)	(1,145)	1,132	611	313	287
Cash and investments - beginning	593	1,145	-	-	3,112	1,257
Cash and investments - ending	<u>567</u>	<u>-</u>	<u>1,132</u>	<u>611</u>	<u>3,425</u>	<u>1,544</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 567	\$ -	\$ 1,132	\$ 611	\$ 3,425	\$ 1,544
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 1,132</u>	<u>\$ 611</u>	<u>\$ 3,425</u>	<u>\$ 1,544</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>567</u>	<u>-</u>	<u>1,132</u>	<u>611</u>	<u>3,425</u>	<u>1,544</u>
Total cash and investment fund balance - ending	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 1,132</u>	<u>\$ 611</u>	<u>\$ 3,425</u>	<u>\$ 1,544</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	School Technology	SINE Grant	SINE Model Continue Work	SINE SSP Grant	SINE SSP Implementation	2006-07 Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	12,763	-	-	-	-	-
Federal sources	-	-	-	-	-	312,606
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	12,763	-	-	-	-	312,606
Disbursements:						
Current:						
Instruction	2,466	344	838	216	201	309,201
Support services	-	-	-	1,699	1,092	2,299
Community services	-	-	-	-	-	1,106
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	2,466	344	838	1,915	1,293	312,606
Excess (deficiency) of receipts over disbursements	10,297	(344)	(838)	(1,915)	(1,293)	-
Cash and investments - beginning	11,891	344	861	3,000	1,293	-
Cash and investments - ending	<u>\$ 22,188</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 22,188	\$ -	\$ 23	\$ 1,085	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 22,188</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	22,188	-	23	1,085	-	-
Total cash and investment fund balance - ending	<u>\$ 22,188</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	2005-06 Title I	2005-06 Title V, Part A Innovative Education	2006-07 Title V, Part A Innovative Education	2005-06 Drug Free	2006-07 Drug Free	2004-05 Drug Free
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	36,200	-	1,784	-	8,000	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>36,200</u>	<u>-</u>	<u>1,784</u>	<u>-</u>	<u>8,000</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	90,772	2,193	1,296	5,147	-	-
Support services	142	-	-	4,892	1,518	277
Community services	89	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>91,003</u>	<u>2,193</u>	<u>1,296</u>	<u>10,039</u>	<u>1,518</u>	<u>277</u>
Excess (deficiency) of receipts over disbursements	<u>(54,803)</u>	<u>(2,193)</u>	<u>488</u>	<u>(10,039)</u>	<u>6,482</u>	<u>(277)</u>
Cash and investments - beginning	<u>54,803</u>	<u>2,193</u>	<u>-</u>	<u>10,039</u>	<u>-</u>	<u>277</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488</u>	<u>\$ -</u>	<u>\$ 6,482</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 488	\$ -	\$ 6,482	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488</u>	<u>\$ -</u>	<u>\$ 6,482</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	488	-	6,482	-
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488</u>	<u>\$ -</u>	<u>\$ 6,482</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Impact Aid	Improving Teacher Quality	Title II, Part D Technology Education	Title III English Language	Retirement/ Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 185,554	\$ 498,549
Intermediate sources	-	-	-	-	-	525
State sources	-	-	-	-	-	63,778
Federal sources	1,500	68,515	68,360	29,205	-	707,620
Sale of property, adjustments and refunds	-	-	-	-	-	115
Total receipts	1,500	68,515	68,360	29,205	185,554	1,270,587
Disbursements:						
Current:						
Instruction	-	111,780	9,332	29,954	-	579,463
Support services	-	-	66,118	55	-	570,895
Community services	-	-	-	-	-	1,195
Nonprogrammed charges	-	-	-	-	-	67,128
Debt services	-	-	-	-	183,191	183,191
Total disbursements	-	111,780	75,450	30,009	183,191	1,401,872
Excess (deficiency) of receipts over disbursements	1,500	(43,265)	(7,090)	(804)	2,363	(131,285)
Cash and investments - beginning	3,000	14,948	42,460	4,890	6,814	289,041
Cash and investments - ending	<u>\$ 4,500</u>	<u>\$ (28,317)</u>	<u>\$ 35,370</u>	<u>\$ 4,086</u>	<u>\$ 9,177</u>	<u>\$ 157,756</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,500	\$ (28,317)	\$ 35,370	\$ 4,086	\$ -	\$ 148,579
Restricted assets:						
Cash and investments	-	-	-	-	9,177	9,177
Total cash and investment assets - ending	<u>\$ 4,500</u>	<u>\$ (28,317)</u>	<u>\$ 35,370</u>	<u>\$ 4,086</u>	<u>\$ 9,177</u>	<u>\$ 157,756</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 9,177	\$ 9,177
Unrestricted	4,500	(28,317)	35,370	4,086	-	148,579
Total cash and investment fund balance - ending	<u>\$ 4,500</u>	<u>\$ (28,317)</u>	<u>\$ 35,370</u>	<u>\$ 4,086</u>	<u>\$ 9,177</u>	<u>\$ 157,756</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Early Intervention
Receipts:						
Local sources	\$ 4,254	\$ 263,306	\$ 58,459	\$ 810	\$ -	\$ -
Intermediate sources	-	-	-	-	225	-
State sources	19,964	7,137	23,576	-	-	1,500
Federal sources	-	196,970	-	-	-	-
Total receipts	<u>24,218</u>	<u>467,413</u>	<u>82,035</u>	<u>810</u>	<u>225</u>	<u>1,500</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,500
Support services	-	486,080	69,597	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	24,750	-	-	810	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>24,750</u>	<u>486,080</u>	<u>69,597</u>	<u>810</u>	<u>-</u>	<u>1,500</u>
Excess (deficiency) of receipts over disbursements	<u>(532)</u>	<u>(18,667)</u>	<u>12,438</u>	<u>-</u>	<u>225</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	16,627	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>16,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(532)</u>	<u>(2,040)</u>	<u>12,438</u>	<u>-</u>	<u>225</u>	<u>-</u>
Cash and investments - beginning	<u>64,472</u>	<u>2,040</u>	<u>24,008</u>	<u>-</u>	<u>4,875</u>	<u>-</u>
Cash and investments - ending	<u>\$ 63,940</u>	<u>\$ -</u>	<u>\$ 36,446</u>	<u>\$ -</u>	<u>\$ 5,100</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 63,940	\$ -	\$ 36,446	\$ -	\$ 5,100	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 63,940</u>	<u>\$ -</u>	<u>\$ 36,446</u>	<u>\$ -</u>	<u>\$ 5,100</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 63,940</u>	<u>\$ -</u>	<u>\$ 36,446</u>	<u>\$ -</u>	<u>\$ 5,100</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	2007 Toyota Grant	Study Group Grant	LCC High School Drug Free	LCC Pie Grant	LCC Grant Chess Club	2007-08 Gifted Talented
Receipts:						
Local sources	\$ 1,000	\$ -	\$ 1,050	\$ -	\$ 350	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	30,107
Federal sources	-	-	-	-	-	-
Total receipts	<u>1,000</u>	<u>-</u>	<u>1,050</u>	<u>-</u>	<u>350</u>	<u>30,107</u>
Disbursements:						
Current:						
Instruction	-	-	2,182	611	350	15,876
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>2,182</u>	<u>611</u>	<u>350</u>	<u>15,876</u>
Excess (deficiency) of receipts over disbursements	<u>1,000</u>	<u>-</u>	<u>(1,132)</u>	<u>(611)</u>	<u>-</u>	<u>14,231</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,000</u>	<u>-</u>	<u>(1,132)</u>	<u>(611)</u>	<u>-</u>	<u>14,231</u>
Cash and investments - beginning	<u>-</u>	<u>567</u>	<u>1,132</u>	<u>611</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,000</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,231</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,000	\$ 567	\$ -	\$ -	\$ -	\$ 14,231
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,000</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,231</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 1,000</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,231</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	2006-07 Gifted Talented	2006-07 Non English Speaking	School Technology	SINE Model Continue Work	SINE SSP Grant	2007-08 Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	14,111	15,560	-	-	-
Federal sources	-	-	-	-	-	402,721
Total receipts	-	14,111	15,560	-	-	402,721
Disbursements:						
Current:						
Instruction	3,425	3,343	19,570	23	-	235,160
Support services	-	-	-	-	1,085	2,031
Community services	-	-	-	-	-	4,589
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	3,425	3,343	19,570	23	1,085	241,780
Excess (deficiency) of receipts over disbursements	(3,425)	10,768	(4,010)	(23)	(1,085)	160,941
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,425)	10,768	(4,010)	(23)	(1,085)	160,941
Cash and investments - beginning	3,425	1,544	22,188	23	1,085	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 12,312</u>	<u>\$ 18,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,941</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 12,312	\$ 18,178	\$ -	\$ -	\$ 160,941
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 12,312</u>	<u>\$ 18,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,941</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ 12,312</u>	<u>\$ 18,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,941</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	2006-07 Title I	2007-08 Title V, Part A Innovative Education	2006-07 Title V, Part A Innovative Education	2007-08 Drug Free	2006-07 Drug Free	Impact Aid
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	67,900	1,764	-	8,799	879	-
Total receipts	67,900	1,764	-	8,799	879	-
Disbursements:						
Current:						
Instruction	60,759	10,779	488	656	-	-
Support services	5,490	-	-	852	7,361	-
Community services	1,651	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	67,900	10,779	488	1,508	7,361	-
Excess (deficiency) of receipts over disbursements	-	(9,015)	(488)	7,291	(6,482)	-
Other financing sources (uses):						
Transfers in	-	54,793	-	-	-	-
Transfers out	-	-	-	-	-	(4,500)
Total other financing sources (uses)	-	54,793	-	-	-	(4,500)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	45,778	(488)	7,291	(6,482)	(4,500)
Cash and investments - beginning	-	-	488	-	6,482	4,500
Cash and investments - ending	<u>\$ -</u>	<u>\$ 45,778</u>	<u>\$ -</u>	<u>\$ 7,291</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 45,778	\$ -	\$ 7,291	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 45,778</u>	<u>\$ -</u>	<u>\$ 7,291</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ 45,778</u>	<u>\$ -</u>	<u>\$ 7,291</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Impact Aid	Improving Teacher Quality	Title II, Part D Technology Education	Title III English Language	Retirement/ Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 112,463	\$ 441,692
Intermediate sources	-	-	-	-	-	225
State sources	-	-	-	-	-	111,955
Federal sources	-	136,000	-	13,193	-	828,226
Total receipts	-	136,000	-	13,193	112,463	1,382,098
Disbursements:						
Current:						
Instruction	-	86,290	23,120	11,447	-	475,579
Support services	-	-	12,250	2,323	-	587,069
Community services	-	-	-	-	-	6,240
Nonprogrammed charges	-	-	-	-	-	25,560
Debt services	-	-	-	-	178,836	178,836
Total disbursements	-	86,290	35,370	13,770	178,836	1,273,284
Excess (deficiency) of receipts over disbursements	-	49,710	(35,370)	(577)	(66,373)	108,814
Other financing sources (uses):						
Transfers in	4,500	-	-	-	-	75,920
Transfers out	-	(54,793)	-	-	-	(59,293)
Total other financing sources (uses)	4,500	(54,793)	-	-	-	16,627
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,500	(5,083)	(35,370)	(577)	(66,373)	125,441
Cash and investments - beginning	-	(28,317)	35,370	4,086	9,177	157,756
Cash and investments - ending	<u>\$ 4,500</u>	<u>\$ (33,400)</u>	<u>\$ -</u>	<u>\$ 3,509</u>	<u>\$ (57,196)</u>	<u>\$ 283,197</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,500	\$ (33,400)	\$ -	\$ 3,509	\$ -	\$ 340,393
Restricted assets:						
Cash and investments	-	-	-	-	(57,196)	(57,196)
Total cash and investment assets - ending	<u>\$ 4,500</u>	<u>\$ (33,400)</u>	<u>\$ -</u>	<u>\$ 3,509</u>	<u>\$ (57,196)</u>	<u>\$ 283,197</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 4,500</u>	<u>\$ (33,400)</u>	<u>\$ -</u>	<u>\$ 3,509</u>	<u>\$ (57,196)</u>	<u>\$ 283,197</u>



North Daviess Community Schools

Robert W. Bell, Superintendent

Glenda O'Connor, Treasurer

Jan Streepy, Secretary

NORTH DAVIESS COMMUNITY SCHOOLS SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land and Improvements	\$ 1,939,170
Buildings	16,663,303
Machinery and equipment	<u>1,564,048</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 20,166,521</u>



North Daviess Community Schools

Robert W. Bell, Superintendent
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NORTH DAVIESS COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Elementary School Building	\$ 11,500,000	\$ 665,000
Bonds payable:		
General obligation bonds:		
Retirement/Severance	<u>1,015,000</u>	<u>183,921</u>
Total governmental activities debt	<u>\$ 12,515,000</u>	<u>\$ 848,921</u>

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of Debt Service, Retirement/Severance Bond, Capital Projects, and School Bus Replacement funds were overdrawn in 2007-08.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

A similar comment appeared in a prior audit report.

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

(1) Claims were not adequately itemized as follows:

(a) No notations on the claims if a portion of the amount paid was from a withholding account.

(b) Mileage claims did not include the rate per mile nor was the amount due calculated on the claim.

(c) Credit card payments did not contain itemized receipts to support the amount on the statement. In some cases the amount paid was more than the amount on the statement.

(d) One claim was overpaid in the amount of \$401.70.

(2) Claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

NORTH DAVIESS COMMUNITY SCHOOLS
 AUDIT RESULTS AND COMMENTS
 (Continued)

HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form Number 30A, Honors Diploma Verification, were incorrect for the school year ending June 30, 2007. The difference between the count reported on the honors diplomas and the verified figures are shown below:

School Year	Honors Diplomas Reported on Form Number 30A	Actual Diplomas Verified	Difference
2007-2008	29	30	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CAPITAL PROJECTS FUND

Funds were disbursed during calendar years 2007 and 2008 from the Capital Projects Fund for a sports facility that exceeded the maximum allowable expenditure which is 5% of property tax revenues levied for the year.

Appropriations were carried forward without purchase orders or contracts nor could the appropriations be identified to a specific project in the prior year's budget. The procedure caused the Capital Projects Fund disbursements to exceed appropriations for the calendar year 2006 in the amount of \$74,503.

Money from the Capital Projects Fund may be used to pay for the construction, repair, replacement, remodeling or maintenance of a school sports facility. However, a school corporation's expenditures in a calendar year under the subsection may not exceed five percent (5%) of the property tax revenues levied for the fund in the calendar year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

When purchase orders or contracts have been written during the year for the necessary purchases of the school corporation and such purchase orders or contracts have been entered in the Ledger of Appropriations Allotments, Encumbrances, Disbursements and Balances to encumber a sufficient amount of the proper appropriation to provide for payment when due, a permissible procedure is available to carry forward to the next budget year any amounts so encumbered which have not been liquidated as of December 31. Any such encumbrances carried forward must be for the exact amount of the purchase orders or contracts outstanding shall be carried to the same program and expenditure account in the ledger for the new budget year as that in which they appeared for the year ending December 31. (The School Administrator and Uniform Compliance Guidelines, December 2003)

IC 5-1-2-1 states in part: "Appropriations of money from the capital projects fund . . . for a specific project shall not lapse at the end of the year in which the appropriation was made, but shall remain in full force and effect without reappropriation until the purpose for which the appropriation was made has been accomplished or abandoned."

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PRESCRIBED FORMS (Applies to Jr. Sr. High School)

The following deficiencies were noted in the use of prescribed forms:

- (1) Receipt and Register of Receipts, Prescribed Form SA-3, was not properly used during the audit. Receipts were issued and dated the date of the deposit instead of the date the money was received, and did not show who the money was received from. There is no place on the receipt for the signature of the treasurer or collecting authority.

The receipt, to be properly issued, shall show the date, the name of the person from whom the money was received, the payment type, the activity fund for which it was received, the amount and the source of the receipt. The receipt form must be signed by the treasurer of the extra-curricular account or collecting authority. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

- (2) Official Receipt - Individual Textbook Rental List, Form TBR-2, was not filed by date of issuance nor did it indicate the receipt classification, date of the receipt, or signature of issuing officer. Testing of receipts to deposits for timely deposits and depositing intact could not be performed due to improper use of this form.

Form TBR-2 is to be prenumbered and printed in triplicate. The form, one set for each student, is to be prepared when textbooks and related materials are issued to the student. The form provides for the date the textbooks were issued, the name of the student and the total fee collected. The completed form shall be signed by the issuing officer who could be the treasurer of the extra-curricular account or someone designated by the treasurer to issue the textbooks and collect the rental fees. The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. The treasurer may direct the issuing officer to deposit all fees collected each day and submit an acknowledged, duplicate deposit slip with the duplicate copies of the Form TBR-2. A separate TBR-2 should be issued for each payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

- (3) Ticket Sales, Prescribed Form SA-4, were not being completed with all necessary information such as date of the event, beginning and ending ticket number, total sales, and signature of the seller.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) Purchase Order and Accounts Payable Voucher, Prescribed Form SA-1, frequently lacked certification that goods or services were received and signature of the person authorized to purchase for the particular activity concerned.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to Jr. Sr. High School)

The following deficiencies relating to recordkeeping were noted:

- (1) Receipts were issued throughout the month for cash collections remitted to the ECA Treasurer. When deposits were made with the bank, often times the deposit did not agree with the receipts issued. At month end, the ECA Treasurer would issue another receipt, as an adjustment, for a positive or negative amount, to correct the receipts issued throughout the month. The adjustment receipt was posted to the investment account because it was not known which receipt was incorrect.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (2) Duplicate deposit tickets were not available for audit. Could not verify that funds were deposited intact.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (3) Cash was withheld from the gate receipts to pay security for working athletic events. Notations were made on the back of the Ticket Sales, Form SA-4, stating amount that was withheld.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (4) Receipts issued often combined multiple sources of collections. For example, receipts issued for the athletic fund often combined ticket sales of multiple events plus concessions. With no individual accounting of concessions and incomplete Ticket Sales, Form SA-4, (as discussed above) full accountability for all money received could not be determined.

A separate receipt shall be issued for each amount of money received. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (5) Transfers between ECA funds were posted as negative receipts instead of cash disbursements.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXTRA-CURRICULAR DEPOSITS (Applies to Jr. Sr. High School)

Receipts were not always deposited within a reasonable time. Receipts were held for periods up to two weeks before depositing.

IC 20-41-1-9(a) states in part: ". . . receipts shall be deposited without unreasonable delay."

PAYMENT TO EMPLOYEES FROM EXTRA-CURRICULAR
ACTIVITY FUNDS (Applies to Jr. Sr. High School)

Payments to School Corporation employees working at Extra-Curricular events were made by Extra-Curricular voucher rather than through a payroll system.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 130) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

Compliance

We have audited the compliance of the North Daviess Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 28, 2009

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 37,801	\$ 40,299
National School Lunch Program	10.555		<u>173,919</u>	<u>168,150</u>
Total for cluster			<u>211,720</u>	<u>208,449</u>
Total for federal grantor agency			<u>211,720</u>	<u>208,449</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010	06-1375	91,003	-
		07-1375	312,606	67,900
		08-1375	<u>-</u>	<u>241,779</u>
Total for program			<u>403,609</u>	<u>309,679</u>
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	04-244	277	-
		05-269	10,039	-
		06-1375	1,518	7,361
		07-1375	<u>-</u>	<u>1,508</u>
Total for program			<u>11,834</u>	<u>8,869</u>
State Grants for Innovative Programs				
	84.298	05-003	2,193	-
		06-1375	1,296	488
		07-1375	<u>-</u>	<u>10,779</u>
Total for program			<u>3,489</u>	<u>11,267</u>
Education Technology State Grants				
	84.318		75,450	-
FY 2006-07			<u>-</u>	<u>35,370</u>
FY 2007-08				
Total for program			<u>75,450</u>	<u>35,370</u>
English Language Acquisition Grants				
	84.365		4,890	-
FY 2005-06			25,119	4,086
FY 2006-07			<u>-</u>	<u>9,684</u>
FY 2007-08				
Total for program			<u>30,009</u>	<u>13,770</u>
Improving Teacher Quality State Grants				
	84.367		111,780	-
FY 2006-07			<u>-</u>	<u>77,476</u>
FY 2007-08				
Total for program			<u>111,780</u>	<u>77,476</u>
Total for federal grantor agency			<u>636,171</u>	<u>456,431</u>
Total federal awards expended			<u>\$ 847,891</u>	<u>\$ 664,880</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NORTH DAVIESS COMMUNITY SCHOOL
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Daviess Community School (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
School Breakfast Program	10.553	\$ 6,591	\$ 2,219
National School Lunch Program	10.555	24,379	9,260

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title 1 Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, REPORTING

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number: 07-1375 and 08-1375
Pass-Through Entity: Indiana Department of Education

The School Corporation is required to file quarterly monitoring reports and expenditure reports with the Indiana Department of Education at specified times. A review of these reports revealed the following:

- (1) Two quarterly reports did not contain cumulative amounts for the specified time period.
- (2) One quarterly report was not filed by the July 10, 2008, deadline, but was submitted on May 5, 2009, after requested by the auditor.
- (3) One interim and two final expenditure reports contained incorrect reporting of expense classifications when compared to the accounting records presented for audit.

EDGAR 80.20(b) states in part: "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Failure to file accurate reports prevents the state and federal agencies from monitoring the program in an effective manner.

We recommended that the School Corporation implement procedures to ensure that the financial reports filed include all activity of the reporting period and are supported by underlying accounting records.

NORTH DAVIESS COMMUNITY SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



North Daviess Community Schools

CORRECTIVE ACTION PLAN

Robert W. Bell, Superintendent

Glenda O'Connor, Treasurer

Jan Streepy, Secretary

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84-010
Federal Award No.: 07-1375 and 08-1375
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Glenda O'Connor
Phone Number: 812-636-8000 ext. 1001
Expected Completion Date: May 28, 2009

The school is required to file quarterly monitoring reports and expenditure reports with the Indiana Department of Education at specified times. A review of these reports revealed the following: 1) Two quarterly reports did not contain cumulative amounts for the specified time period. 2) One quarterly report was not filed by the July 10, 2008 deadline. This report was submitted on May 5, 2009 after requested by the auditor. 3) One interim and two final expenditure reports contained incorrect reporting of expense classifications when compared to the accounting records presented for audit.

34 CFR 80.20(b) states in part: "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Failure to file accurate reports prevents the state and federal agencies from monitoring the program in an effective manner.

We recommend that the School implement procedures to ensure the financial reports filed include all activity of the reporting period and are supported by underlying accounting records.

RESPONSE/ACTION PLAN:

The treasurer will implement procedures to ensure the financial reports are filed in a timely manner and will assure all activity of the reporting will be accurate according to the accounting records.

North Daviess Community Schools
Glenda O'Connor, Treasurer
May 28, 2009

Glenda O'Connor
May 28, 2009

NORTH DAVIESS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2009, with Robert W. Bell, Superintendent of Schools; Glenda O'Connor, Treasurer; Darin Holder, President of the School Board. The officials concurred with our audit findings.